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COMMONWEALTH OF VIRGINIA

**STATE CORPORATION COMMISSION**

AT RICHMOND, MAY 2, 2002

APPLICATION OF

COLUMBIA GAS OF VIRGINIA, INC.

CASE NO. PUE-2001-00241

For an Annual Informational Filing

ORDER ACCEPTING OFFER OF STIPULATION

On May 31, 2001, Columbia Gas of Virginia, Inc. ("Columbia" or the "Company"), filed its Annual Informational Filing ("AIF") for the test period for the calendar year ending December 31, 2000, with the State Corporation Commission ("Commission"). On July 3, 2001, Columbia filed a motion with the Commission requesting a waiver of certain requirements of the Commission's Rules Governing Utility Rate Increase Applications and Annual Informational Filings, relating to Schedule 25 of the Company's AIF.

In its Order entered on July 12, 2001, the Commission granted Columbia's request for waiver and continued the matter pending further order of the Commission.

On December 7, 2001, the Staff filed its Report in this matter. Among other things, the Staff noted that Columbia had received approximately \$1.4 million from Columbia Gas

**Effective April 9, 2002, the new Case Management System requires that the case number format for all Commission orders change from, e.g., PUE010663 to the following: PUE-2001-00663.**

Transmission Company ("TCo") and Columbia Gulf Transmission Company ("Columbia Gulf") as a result of a stipulation and agreements filed with and accepted by the Federal Energy Regulatory Commission ("FERC") in certain proceedings before FERC.<sup>1</sup> Staff recommended that these proceeds received by Columbia be returned through the Company's purchased gas adjustment mechanism ("PGA").

On January 17, 2002, Columbia filed its Response to the Staff Report ("Response"). In its Response, among other things, the Company disagreed with the Staff's recommendation that the \$1.4 million constituted "supplier refunds" that should be returned through Columbia's PGA. The Company requested the Commission to direct Staff to continue discussions on the issues related to the \$1.4 million and to report to the Commission on the status of these discussions within thirty days of the same.

On February 4, 2002, Staff filed its Reply to the Company's Response. In its Reply, among other things, Staff agreed to meet with Columbia at a mutually convenient time to discuss the issues raised by the Company in its Response. Staff committed

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<sup>1</sup> According to the Staff, the "settlement value" portion of the \$1.4 million at issue resolved a dispute pending before FERC in Docket No. RP95-408 (Phase II) related to the rate treatment of certain costs associated with environmental remediation incurred by TCo and recovered in transportation and storage rates. The "disgorgement amount" of the \$1.4 million were returned to the Company as a result of the entry of an October 25, 2000, FERC Order Approving Stipulation and Consent Agreement entered in FERC Docket No. IN01-1-000. That docket involved an investigation of TCo and Columbia Gulf relating to their participation in unauthorized gas imbalance transactions.

to report on the status of its discussions with Columbia within thirty days of its meeting with the Company.

On April 2, 2002, Staff filed its Status Report in this proceeding, noting that discussions between Columbia and Staff had occurred and that progress had been made during those discussions.

On April 25, 2002, the Staff filed a "Motion Requesting Approval of Offer of Stipulation" ("Motion"), together with an "Offer of Stipulation" that the Staff requested the Commission to accept. In its Motion, the Staff noted that it had reached agreement with Columbia on the issues related to the disposition of the disgorgement and settlement value monies at issue in the Staff Report.

As explained by the Staff, the Offer of Stipulation provides for the refund of \$696,446, an amount equivalent to the \$671,943 disgorgement payment paid by TCo and the \$24,503 disgorgement amount paid by Columbia Gulf, through Columbia's PGA mechanism to the Company's customers. As proposed by the Company and Staff, these amounts would bear interest from November 20, 2000, the date that Columbia received these monies as a result of FERC's Order, until fully refunded, at 8% interest per annum. Staff and the Company proposed that the \$696,446 be accounted for by debiting the sub-account of Uniform System of Account No. 242 (Miscellaneous Liabilities) and by

crediting a sub-account of Uniform System of Account No. 242 (Provision for Rate Refunds).

As to the "settlement value" portion of the \$1.4 million, Staff and the Company proposed that \$755,988, the jurisdictional portion of the settlement value, be used as an offset to the Company's unamortized environmental regulatory asset balance, an asset estimated by the Company to be approximately \$20 million. The Offer of Stipulation proposed that the Company account for this amount by debiting Uniform System of Account No. 242 (Miscellaneous Current Accrued Liability) and by crediting Uniform System of Account No. 182.3 (Other Regulatory Assets) by \$755,988.

Further, in the Offer of Stipulation, the Company agreed that in subsequent AIFs, it would restate its per books utility income tax expense to a jurisdictional basis before making its ratemaking and pro forma adjustments.

NOW UPON consideration of the April 25, 2002, Motion and Offer of Stipulation, the Commission is of the opinion and finds that the April 25, 2002, Motion should be granted; that the Offer of Stipulation represents a reasonable resolution of the issues raised in the captioned AIF; and that this matter should be dismissed from the Commission's docket of active proceedings.

Our decision to permit the Company to offset \$755,988 against Columbia's unamortized environmental regulatory balance

does not constitute approval of the recovery of the environmental regulatory cost through Columbia's rates. That issue is more properly decided in a proceeding, following notice to Columbia's customers and an opportunity for hearing.

Accordingly, IT IS ORDERED THAT:

(1) The April 25, 2002, Motion is granted.

(2) The April 25, 2002, Offer of Stipulation is hereby accepted.

(3) The \$696,466 portion of the disgorgement amounts received by Columbia shall be refunded through the Company's PGA to Columbia's customers. This refund shall bear interest from November 20, 2000, until fully refunded, at 8% per annum. Columbia shall account for these funds by debiting the sub-account of Uniform System of Account No. 242 (Miscellaneous Liabilities) and by crediting a sub-account of Uniform System of Account No. 242 (Provision for Rate Refunds).

(4) Consistent with our findings herein, Columbia shall record on its regulatory books \$755,988 on a jurisdictional basis as a credit to its unamortized environmental regulatory asset balance. The Company shall account for this amount by debiting Uniform System of Account No. 242 (Miscellaneous Current Accrued Liability) and crediting Uniform System of Account No. 182.3 (Other Regulatory Assets).

(5) Consistent with its representation, the Company shall restate its per books utility income tax expense to a jurisdictional basis before making ratemaking and pro forma adjustments.

(6) There being nothing to be done further in this matter, this case shall be dismissed from the Commission's docket of active proceedings, and the papers filed herein placed in the Commission's drawer for ended causes.